



United States
Department of
Agriculture

Food and
Nutrition
Service

Mountain
Plains
Region

1244 Speer Boulevard
Denver, CO 80204

FEB 25 1991

Reply to SP 91-156
Attn. of: CACFP 228
SFSP 117

Subject: Use of State Administrative Expense (SAE) Funds for Food Distribution Activities

To: STATE AGENCY DIRECTORS - Colorado ED, Colorado DH, Colorado SS,
(Special Nutrition Programs) Iowa, Kansas, Missouri ED, Missouri DH,
Montana OPI, Montana DHES, Nebraska ED,
Nebraska SS, North Dakota, South Dakota,
Utah, Wyoming ED,

Several State agencies (SAs) in the Mountain Plains Region may lose SAE funds under the new carryover provision in P.L. 101-147. The maximum amount that can be carried over into Fiscal Year (FY) 1992 is 25 percent of the FY 1991 allocation. Also, beginning in FY 1992, part of the SAE allocation will have funds dedicated solely to food distribution activities. The question has been raised, then, can SAE funds be used to pay for transportation of commodities to local recipient agencies (RAS), i.e., school food authorities (SFAs) and Child and Adult Care Programs (CACFP) centers.

The intent of the legislation (P.L. 101-147) is to provide additional funds for costs incurred in distributing commodities. These funds will come from SAE funds already available for School Programs and the CACFP. Congress also expected that SAs, which currently levy fees on the local RAS to pay the costs of administrative activities, warehousing and/or transportation may be able to reduce or eliminate these fees entirely. Therefore, SAs may use available SAE funds for this purpose.

For those SAs which may choose to use SAE funds to pay the cost of transportation of commodities or lower fees to the local RAS, there are several points to remember:

1. SAE funds can be used for only the Child Nutrition Programs. See 7 CFR Part 235.
2. Federal funds cannot be used to supplant State funds; i.e., if State funds are currently being used to pay transportation costs and/or warehousing costs, and these State funds are counted as part of the State's Revenue Matching Requirement (SRMR), then there may be a potential problem in meeting the SRMR.
3. If SFAs' and CACFPs' assessment fees are lowered and replaced by SAE funds, consideration must be given to such time when excess SAE funds may no longer be available to pay these costs, and fees to the recipients may have to be increased, or if they were eliminated, reinstated.

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Those SAs, which choose to pay warehouse handling and transportation costs this FY, must revise their current SAE funds budget. The costs should be shown in Item 3.e.

If you have further questions, please contact our office.

Sincerely,

Ann C. Hector

ANN C. HECTOR
Regional Director
Special Nutrition Programs

John N. Merz

JOHN N. MERZ
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Food Distribution Program